

## Message Text

PAGE 01 STATE 263873

67

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TO ALL DIPLOMATIC AND CONSULAR POSTS

UNCLAS STATE 263873

E.O. 11652: N/A

TAGS: ETRD

SUBJECT: STATUS OF THE TRADE BILL

REF: STATE 256609

1. THE SENATE FINANCE COMMITTEE REPORTED TO THE FULL SENATE ITS VERSION OF THE TRADE BILL ON NOVEMBER 26. SUMMARIZED BELOW FOR THE BACKGROUND OF ADDRESSEES ARE THE MOST IMPORTANT PROVISIONS OF THE BILL, WITH INDICATIONS OF THE MAJOR DIFFERENCES BETWEEN THE HOUSE-PASSED VERSION AND THAT OF THE SENATE FINANCE COMMITTEE. WE CONTINUE TO EXPECT THAT THE SENATE FLOOR CONSIDERATION OF THE BILL WILL BEGIN ON DECEMBER 4 OR 5.

UNCLASSIFIED

PAGE 02 STATE 263873

2. TARIFF REDUCTION AUTHORITY: THE SENATE FINANCE COMMITTEE HAS RECOMMENDED THAT THE PRESIDENT BE AUTHORIZED TO ELIMINATE DUTIES OF TEN PERCENT AD VALOREM OR LESS AND TO REDUCE BY 50 PERCENT DUTIES ABOVE TEN PERCENT AD VALOREM.

THIS COMPARES WITH THE AUTHORITY IN THE HOUSE BILL TO ELIMINATE DUTIES OF FIVE PERCENT AD VALOREM OR LESS, TO REDUCE BY 60 PERCENT DUTIES OVER FIVE AND NOT OVER 25 PERCENT AD VALOREM, AND, SUBJECT TO A TEN PERCENT AD VALOREM FLOOR, TO REDUCE BY 75 PERCENT DUTIES OVER 25 PERCENT AD VALOREM.

3. STAGING: THE COMMITTEE'S STAGING FORMULA REQUIRES THAT ANY DUTY REDUCTION OF MORE THAN TEN PERCENT BE CARRIED OUT AT A RATE NOT TO EXCEED REDUCTIONS OF TWO PERCENTAGE

POINTS PER YEAR, IF THE TOTAL REDUCTION IS NO MORE THAN 20 PERCENT AD VALOREM, OR IF THE TOTAL REDUCTION IS MORE THAN 20 PERCENT AD VALOREM, ANNUAL REDUCTIONS OF ONE TENTH OF THE TOTAL. ALL REDUCTIONS ARE TO TAKE PLACE WITHIN TEN YEARS AFTER THE FIRST STAGE. BY COMPARISON, THE HOUSE BILL'S FORMULA CALLS FOR ANNUAL CUTS OF THREE PERCENT OR ONE-FIFTEENTH, WHICHEVER IS GREATER, WITHIN 15 YEARS.

4. AUTHORITY TO REDUCE NONTARIFF BARRIERS: THE TRADE BILL, AS PASSED BY THE HOUSE, INCLUDED A "LEGISLATIVE VETO" PROCEDURE FOR THE IMPLEMENTATION OF NONTARIFF BARRIER TRADE AGREEMENTS. UNDER THIS PROCEDURE NONTARIFF BARRIER TRADE AGREEMENTS WOULD ENTER INTO FORCE IF, DURING THE 90 DAYS FOLLOWING ITS SUBMISSION TO THE CONGRESS, NEITHER HOUSE PASSED A RESOLUTION OF DISAPPROVAL. THE SENATE FINANCE COMMITTEE HAS PROPOSED, IN PLACE OF THE LEGISLATIVE VETO PROCEDURE, TO SUBSTITUTE A "FAST TRACK" PROCEDURE FOR AFFIRMATIVE APPROVAL OF NONTARIFF BARRIER AGREEMENTS DESIGNED TO ASSURE A VOTE ON THE MERITS WITH RESPECT TO LEGISLATION SUBMITTED IN CONNECTION WITH NTB AGREEMENTS. THE PROCEDURAL LIMITATIONS INCLUDE PROHIBITION ON AMENDMENTS, AUTOMATIC DISCHARGE OF COMMITTEES FROM CONSIDERATION AND TIME AND OTHER LIMITATIONS ON FLOOR DEBATE. IN ADDITION TO REVISION OF THE PROCEDURE OF APPROVAL OF NONTARIFF BARRIER AGREEMENTS, THE FINANCE COMMITTEE HAS ADDED (OR REVISED) SPECIFIED OBJECTIVES OF THE NEGOTIATIONS. THEY COVER SECTORAL NEGOTIATIONS, INTER-  
UNCLASSIFIED

PAGE 03 STATE 263873

NATIONAL SAFEGUARD PROCEDURES, SUPPLY ACCESS, BILATERAL AGREEMENTS AND AGREEMENTS WITH DEVELOPING COUNTRIES. FINALLY, THE COMMITTEE HAS EXPRESSLY AUTHORIZED NEGOTIATIONS IN THE SERVICE SECTOR AND HAS PROVIDED FOR THE HARMONIZATION AS WELL AS THE REDUCTION AND ELIMINATION OF NONTARIFF BARRIERS.

5. OTHER AUTHORITY: THE FINANCE COMMITTEE HAS SUBSTANTIALLY RETAINED THE OTHER AUTHORITIES OF THE HOUSE BILL. PROVISIONS (1) DIRECTING THE PRESIDENT TO NEGOTIATE ON SEVERAL SPECIFIED TOPICS IN CONNECTION WITH INTERNATIONAL TRADE REFORM; (2) AUTHORIZING THE PRESIDENT TO IMPOSE RESTRICTIONS ON IMPORTS IN THE EVENT OF U.S. BALANCE OF PAYMENTS DEFICITS AND TO REMOVE TRADE RESTRICTIONS TO

COUNTER BALANCE OF TRADE SURPLUSES; (3) AUTHORIZING THE PRESIDENT TO MAKE TRADE CONCESSIONS AS COMPENSATION THAT, FROM TIME TO TIME, MAY BE OWED OUR TRADING PARTNERS BECAUSE OF UNITED STATES IMPORT RELIEF MEASURES; (4) AUTHORIZING THE PRESIDENT TO REDUCE DUTIES DURING THE 2 YEARS FOLLOWING THE EXPIRATION OF THE FIVE YEAR NEGOTIATING AUTHORITY BY 20 PERCENT ON UP TO 2 PERCENT OF U.S. IMPORTS FOR EACH YEAR; AND (5) AUTHORIZING THE PRESIDENT TO TERMINATE AND WITHDRAW FROM TRADE AGREEMENTS, ARE INCLUDED IN UNCLASSIFIED

THE BILL. THE PRINCIPAL CHANGES MADE BY THE FINANCE COMMITTEE ARE (1) THE INCLUSION OF A REQUIREMENT FOR WITHDRAWAL OF TRADE CONCESSIONS UNDER CERTAIN CIRCUMSTANCES, (2) THE INCLUSION IN THE MOST-FAVORED-NATION RULE OF A REQUIREMENT THAT TRADE CONCESSIONS BE WITHDRAWN FROM ANY MAJOR INDUSTRIALIZED NATION THAT DOES NOT MAKE CONCESSIONS IN TRADE NEGOTIATIONS WHICH RESULT IN SUBSTANTIALLY EQUIVALENT COMPETITIVE OPPORTUNITIES FOR OUR GOODS IN THEIR MARKET TO THOSE PROVIDED IN OUR MARKET, (3) REQUIREMENT THAT THE PRESIDENT IMPOSE IMPORT RESTRICTIONS WHERE SUCH ACTION IS REQUIRED TO DEAL WITH A FUNDAMENTAL BALANCE OF PAYMENTS PROBLEM, UNLESS THE PRESIDENT DETERMINES SUCH ACTION CONTRARY TO THE NATIONAL INTEREST, AND (4) DELETION OF AUTHORITY TO MAKE LIMITED TRADE BARRIER REDUCTIONS IN ORDER TO COUNTER SUSTAINED OR RAPID INFLATION.

6. PRENEGOTIATION PROCEDURES: THE BILL REQUIRES REVIEW BY THE TARIFF COMMISSION OF PROPOSED TARIFF REDUCTIONS IN UNCLASSIFIED

PAGE 04 STATE 263873

ORDER TO ASCERTAIN THE PROBABLE ECONOMIC EFFECT ON DOMESTIC PRODUCERS AND CONSUMERS OF MODIFICATION OF SUCH TARIFFS. THE PRESIDENT MAY REQUEST SIMILAR ADVICE WITH RESPECT TO PROPOSED REDUCTIONS OF NTB'S. THE BILL ALSO ESTABLISHES PROCEDURES FOR ADVICE FROM APPROPRIATE GOVERNMENT AGENCIES AND THE PUBLIC IN CONNECTION WITH TRADE NEGOTIATIONS. IN PARTICULAR, A FORMAL STRUCTURE OF ADVISORY COMMITTEES IS TO BE ESTABLISHED FOR CONTINUING AND EFFECTIVE LIAISON BETWEEN UNITED STATES NEGOTIATORS AND REPRESENTATIVES OF U.S. INDUSTRY, AGRICULTURE, LABOR AND CONSUMER INTERESTS. FINALLY, IN ADDITION TO THE OTHER PROCEDURES FOR CONGRESSIONAL OVERSIGHT OF THE EXERCISE OF AUTHORITIES UNDER THE BILL, THE BILL CONTAINS PROVISION FOR PARTICIPATION OF CONGRESSIONAL DELEGATES IN THE NEGOTIATIONS.

7. ESCAPE CLAUSE: THE HOUSE BILL SIGNIFICANTLY REVISED THE IMPORT RELIEF PROVISIONS OF PRESENT LAW IN ORDER TO (1) LIBERALIZE THE ELIGIBILITY CRITERIA FOR IMPORT RELIEF; (2) IMPOSE STRICTER TIME LIMITS ON THE DECISIONS REGARDING RELIEF, AND THE DURATION OF AND MANDATORY PHASING OUT OF SUCH RELIEF; (3) ENUMERATE FACTORS TO BE TAKEN INTO ACCOUNT IN DETERMINING THE FORM AND EXTENT OF IMPORT RELIEF TO BE

PROVIDED; AND (4) ESTABLISH AN ORDER OF PREFERENCE FOR THE FORMS OF IMPORT RELIEF. THE FINANCE COMMITTEE HAS RETAINED THE PROVISIONS MODIFYING THE ELIGIBILITY CRITERIA FOR IMPORT RELIEF. THE REQUIREMENT OF PRESENT LAW THAT THE IMPORTS CAUSING INJURY RESULT "IN MAJOR PART" FROM TARIFF CONCESSIONS IS ELIMINATED AND THE PRESENT REQUIREMENT THAT IMPORTS BE THE "MAJOR CAUSE" OF INJURY IS REPLACED BY A "SUBSTANTIAL CAUSE" STANDARD. THE FINANCE COMMITTEE HAS ALSO RETAINED THE LIST OF FACTORS TO BE TAKEN INTO ACCOUNT IN PROVIDING IMPORT RELIEF AND HAS TIGHTENED SOMEWHAT THE TIME LIMITATIONS FOR IMPORT RELIEF ACTION. HOWEVER, THE FINANCE COMMITTEE DELETED THE HOUSE PROVISIONS WITH RESPECT TO THE ORDER OF PREFERENCE OF IMPORT RELIEF. THE TARIFF COMMISSION IS AUTHORIZED TO RECOMMEND ADJUSTMENT ASSISTANCE AS A FORM OF IMPORT RELIEF AND TO RECOMMEND THAT THE PRESIDENT DIRECT APPROPRIATE GOVERNMENT AGENCIES TO GIVE EXPEDITIOUS CONSIDERATION TO ADJUSTMENT ASSISTANCE PETITIONS IN LIEU OF PROVIDING OTHER FORMS OF IMPORT RELIEF. THE COMMITTEE HAS ALSO ADDED A PROVISION REQUIRING THE PRESIDENT

PAGE 05 STATE 263873

DENT TO TAKE ACTION IN THE EVENT OF AN AFFIRMATIVE IMPORT RELIEF FINDING BY THE TARIFF COMMISSION. MOREOVER, ALTHOUGH THE PRESIDENT IS FREE TO DETERMINE THE FORM OF IMPORT RELIEF AND THE AMOUNT TO BE PROVIDED, THE FINANCE COMMITTEE HAS INSTITUTED A PROCEDURE FOR CONGRESSIONAL OVERRIDE (BY CONCURRENT RESOLUTION PASSED BY A MAJORITY OF THOSE VOTING OF EACH HOUSE) OF THE PRESIDENT'S ACTION IN FAVOR OF THE RELIEF RECOMMENDED BY THE TARIFF COMMISSION.

8. ADJUSTMENT ASSISTANCE: THE HOUSE BILL CONTAINS PROGRAMS DESIGNED TO ASSIST WORKERS AND FIRMS TO MAKE ADJUSTMENTS NECESSITATED BY IMPORT COMPETITION. THE ELIGIBILITY CRITERIA FOR BOTH PROGRAMS REQUIRE DETERMINATIONS BY THE SECRETARY OF LABOR (FOR WORKERS) OR THE SECRETARY OF COMMERCE (FOR FIRMS) THAT INCREASED IMPORTS CONTRIBUTED IMPORTANTLY TO UNEMPLOYMENT OR THE THREAT THEREOF FOR A SIGNIFICANT NUMBER OF EMPLOYEES FROM A FIRM, AND TO A DECLINE IN SALES OR PRODUCTION OF THE FIRM. THE FINANCE COMMITTEE RETAINED BOTH THE WORKER AND THE FIRM PROGRAM ESSENTIALLY IN THE SAME FORM AS IN THE HOUSE BILL, BUT INCREASED THE BENEFITS FOR WORKERS, MADE THE WORKER PROGRAM SUPPLEMENTAL TO STATE UNEMPLOYMENT INSURANCE SCHEMES, AND ADDED A PROGRAM OF ADJUSTMENT ASSISTANCE FOR COMMUNITIES.

9. RESPONSE TO CERTAIN FOREIGN TRADE PRACTICES: SECTIONS 30S AND 302 OF THE BILL PROVIDE FOR RETALIATION BY THE UNITED STATES IN RESPONSE TO CERTAIN TRADE PRACTICES BY FOREIGN COUNTRIES. THE HOUSE BILL AUTHORIZED THE PRESIDENT TO IMPOSE DUTIES OR OTHER TRADE RESTRICTIONS WITH RESPECT TO THE PRODUCTS OF ANY COUNTRY THAT ENGAGES IN UNJUSTI-

FIABLE OR UNREASONABLE TRADE PRACTICES (INCLUDING THE USE OF EXPORT SUBSIDIES) WHICH ADVERSELY AFFECT U.S. COMMERCE. THE FINANCE COMMITTEE HAS EXPANDED THE AUTHORITY DELEGATED UNDER SECTION 301 TO ALLOW RETALIATION BY IMPOSITION OF FEES OR OTHER RESTRICTIONS ON THE SERVICES OF A FOREIGN COUNTRY IN THE UNITED STATES. THE SENATE ALSO CLARIFIED THE AUTHORITY OF THE HOUSE BILL BY PROVIDING EXPRESSLY FOR RETALIATION WHERE ANY COUNTRY IMPOSES UNJUSTIFIABLE OR UNREASONABLE RESTRICTIONS ON UNITED STATES ACCESS TO SUPPLIES.

UNCLASSIFIED

PAGE 06 STATE 263873

10. THE HOUSE PROVISIONS REQUIRED RETALIATION TO BE ON A SELECTIVE BASIS IN RESPONSE TO FOREIGN "UNREASONABLE" TRADE PRACTICES (UNDER THE HOUSE BILL U.S. RESPONSE TO UNJUSTIFIABLE TRADE PRACTICES COULD BE EITHER ON A NONDISCRIMINATORY OR A SELECTIVE BASIS). THE FINANCE COMMITTEE HAS AMENDED THE BILL TO ALLOW RETALIATION IN ALL CASES ON EITHER A SELECTIVE OR A NONDISCRIMINATORY BASIS. HOWEVER, IN ANY CASE WHERE RETALIATION IS NOT ON A SELECTIVE BASIS, THE CONGRESS MAY, BY CONCURRENT RESOLUTION, LIMIT THE APPLICATION OF THE RESTRICTIONS IMPOSED TO THE PRODUCTS OR SERVICES OF THE OFFENDING COUNTRY.

11. ANTIDUMPING: THE SENATE FINANCE COMMITTEE HAS SUBSTANTIALLY RETAINED THE AMENDMENTS BY THE HOUSE WITH RESPECT TO THE UNITED STATES ANTIDUMPING LAW. THESE ESTABLISH TIME LIMITATIONS FOR ACTION ON ANTIDUMPING QUESTIONS, REQUIRE HEARINGS BEFORE ANTIDUMPING DETERMINATIONS AND PRESCRIBE CRITERIA FOR THE DETERMINATION, FOR ANTIDUMPING PURPOSES, OF PURCHASE PRICE AND EXPORTERS SALE PRICE. THE TIME LIMITS OF THE HOUSE BILL HAVE BEEN TIGHTENED SOMEWHAT BY THE SENATE FINANCE COMMITTEE AND PROVISIONS ADDED THAT:

(1) DIRECT THAT CERTAIN DATA WITH RESPECT TO HOME MARKET PRICE BE REQUIRED BY UNITED STATES CUSTOMS FORMS;

(2) ESTABLISH AN AUTOMATIC RIGHT FOR INTERESTED DOMESTIC PARTIES TO APPEAR AT ANTIDUMPING HEARINGS;

(3) PROVIDE AN EXPRESS STATUTORY BASIS FOR JUDICIAL REVIEW FROM NEGATIVE ANTIDUMPING DETERMINATIONS; AND

(4) AUTHORIZE (BUT NOT REQUIRE) THE SECRETARY OF THE TREASURY TO IMPOSE DUMPING DUTIES IN CASES WHERE MULTINATIONAL CORPORATIONS SUPPORT LOW PRICED EXPORTS TO THE UNITED STATES FROM A SUBSIDIARY IN ONE COUNTRY THROUGH HIGH PRICED SALES BY A SUBSIDIARY IN ANOTHER COUNTRY.

12. COUNTERVAILING DUTIES: THE COUNTERVAILING DUTY LAW REQUIRES THE IMPOSITION OF COUNTERVAILING DUTIES TO OFFSET ANY BOUNTY OR GRANT AFFORDED EXPORTS TO THE UNITED STATES

BY FOREIGN GOVERNMENTS. WHILE PRESENT LAW IS MANDATORY,  
UNCLASSIFIED

PAGE 07 STATE 263873

THERE ARE NO TIME LIMITS FOR ACTION BY THE SECRETARY OF THE TREASURY IN CONNECTION WITH THE IMPOSITION OF COUNTERVAILING DUTIES. THE HOUSE BILL IMPOSES TIME LIMITS ON COUNTERVAILING DUTY ACTIONS, AND AFFORDS THE DISCRETION TO SUSPEND THE IMPOSITION OF COUNTERVAILING DUTIES IN ORDER NOT TO JEOPARDIZE THE NEGOTIATIONS AUTHORIZED UNDER THE BILL.

THE FINANCE COMMITTEE HAS MODIFIED THE COUNTERVAILING DUTY PROVISIONS OF THE HOUSE BILL TO REQUIRE A PRELIMINARY DECISION BY THE SECRETARY OF THE TREASURY WITH RESPECT TO COUNTERVAILING DUTIES WITHIN SIX MONTHS FROM THE FILING OF ANY PETITION AND TO REQUIRE A FINAL DETERMINATION WITHIN ONE YEAR OF THE FILING OF SUCH PETITION. THE IMPOSITION OF ANY COUNTERVAILING DUTIES MAY BE SUSPENDED DURING THE TWO YEARS IN WHICH NEGOTIATIONS WERE AUTHORIZED UNDER THE BILL IF THE SECRETARY OF THE TREASURY DETERMINES:

- (1) ADEQUATE MEASURES HAVE BEEN TAKEN TO SUBSTANTIALLY REDUCE OR ELIMINATE THE ADVERSE EFFECT OF THE BOUNTY OR GRANT IN QUESTION;
- (2) THERE IS REASONABLE PROSPECT OF SUCCESSFUL NEGOTIATION OF NONTARIFF BARRIER AGREEMENTS UNDER SECTION 102; AND
- (3) THE IMPOSITION OF COUNTERVAILING DUTIES WOULD BE LIKELY TO SERIOUSLY JEOPARDIZE SATISFACTORY COMPLETION OF TRADE NEGOTIATIONS.

THE HOUSE BILL PROVISIONS ALLOWING FOR THE SUSPENSION OF COUNTERVAILING DUTIES WHERE THE MERCHANDISE RECEIVING THE BOUNTY OR GRANT IS SUBJECT TO A QUOTA HAVE BEEN DELETED. MOREOVER, ANY SUSPENSION OF THE IMPOSITION OF COUNTERVAILING DUTIES IS SUBJECT TO A CONGRESSIONAL OVERRIDE. A PROVISION OF THE HOUSE BILL EXTENDING THE APPLICATION OF THE COUNTERVAILING DUTY LAW TO NONDUTIABLE ITEMS PROVIDED THERE IS A SHOWING OF INJURY TO DOMESTIC MANUFACTURERS IS RETAINED.

13. UNFAIR TRADE PRACTICES: SECTION 337 OF THE TARIFF  
UNCLASSIFIED

PAGE 08 STATE 263873

ACT OF 1930 AUTHORIZES THE PRESIDENT TO EXCLUDE ARTICLES FROM ENTRY IF HE FINDS UNFAIR METHODS OF COMPETITION AND/OR UNFAIR ACTS IN CONNECTION WITH THEIR IMPORTATION. THE STATUTE HAS BEEN USED PRIMARILY IN

PATENT CASES. THE HOUSE BILL VESTED IN THE TARIFF COMMISSION FINAL AUTHORITY TO DETERMINE WHETHER IN PATENT CASES THERE WAS A VIOLATION OF SECTION 337. THE FINANCE COMMITTEE HAS PROVIDED FOR FINAL DETERMINATIONS BY THE TARIFF COMMISSION IN ALL SECTION 337 CASES, SUBJECT, HOWEVER, TO INTERVENTION, FOR POLICY REASONS, BY THE PRESIDENT. ALSO THE TARIFF COMMISSION MAY DECIDE NOT TO ISSUE AN EXCLUSION OR CEASE AND DESIST ORDER WHERE IT DETERMINES TO DO SO WOULD BE CONTRARY TO THE PUBLIC INTEREST. THE HOUSE BILL PROVISION ALLOWING LEGAL AND EQUITABLE DEFENSE HAS BEEN RETAINED AND ADD TO IT A DEFENSE OF "PRICE GOUGING" IN PATENT CASES. THE FINANCE COMMITTEE HAS FURTHER ADDED FLEXIBILITY TO THE REMEDIES (BY AUTHORIZING CEASE AND DESIST ORDERS AS AN ALTERNATE REMEDY TO EXCLUSION ORDERS) TO THE PROVISION FOR ENTRY UNDER BOND.

14. TRADE WITH COMMUNIST COUNTRIES: TITLE IV OF THE TRADE REFORM ACT, AS PASSED BY THE HOUSE, AUTHORIZES THE PRESIDENT TO ENTER INTO TRADE AGREEMENTS WITH NON-MARKET ECONOMY COUNTRIES, AND TO EXTEND MOST-FAVORED-NATION (MFN) TREATMENT TO THE IMPORTS OF SUCH COUNTRIES NOT NOW RECEIVING MFN TREATMENT EITHER UNDER THE TERMS OF A BILATERAL AGREEMENT OR THROUGH THE PARTICIPATION OF SUCH COUNTRIES IN A MULTILATERAL AGREEMENT. THE HOUSE BILL ALSO CONTAINS SPECIAL MARKET DISRUPTION PROCEDURES APPLICABLE TO IMPORTS FROM COMMUNIST COUNTRIES. FINALLY, THE HOUSE BILL INCLUDES RESTRICTIONS ON THE EXTENSION OF MFN TREATMENT AND U.S. GOVERNMENT CREDITS OR CREDIT GUARANTEES TO COUNTRIES DENYING THEIR CITIZENS FREEDOM OF EMIGRATION.

15. THE FINANCE COMMITTEE HAS LEFT THE PROVISIONS ON THE FREEDOM OF EMIGRATION INTACT (AN AMENDMENT TO REFLECT THE WAIVER PROVISION AGREED TO WITH SEN. JACKSON WILL BE INTRODUCED FROM THE SENATE FLOOR), BUT HAS REVISED THE OTHER PROVISIONS OF TITLE IV. THE AUTHORITY TO EXTEND MFN TREATMENT TO NON-MARKET ECONOMY COUNTRIES THROUGH THE UNCLASSIFIED

PAGE 09 STATE 263873

ACCESSION OF SUCH COUNTRIES TO INTERNATIONAL AGREEMENTS, HAS BEEN DELETED, AND, AS A RESULT, MFN TREATMENT MAY BE ONLY EXTENDED THROUGH BILATERAL AGREEMENT. MOREOVER, THE FINANCE COMMITTEE HAS REQUIRED CERTAIN PROVISIONS WHICH MUST BE INCLUDED IN SUCH BILATERAL AGREEMENTS. WITH RESPECT TO MARKET DISRUPTION, THE FINANCE COMMITTEE HAS RELAXED THE CRITERIA, HAS PRESCRIBED TIME LIMITS FOR ACTION ON MARKET DISRUPTION PETITIONS, HAS AUTHORIZED THE PRESIDENT TO TAKE EMERGENCY ACTION PENDING ' TARIFF COMMISSION DETERMINATION WITH RESPECT TO MARKET DISRUPTION AND HAS INCLUDED A PROCEDURE FOR PETITION TO INITIATE SAFEGUARD CONSULTATIONS. THESE MARKET DISRUPTION PROVISIONS ARE TO APPLY TO ALL COMMUNIST COUNTRIES,

INCLUDING YUGOSLAVIA AND POLAND. THE COMMITTEE HAS ALSO ADDED PROVISIONS WHICH WOULD DENY MFN TREATMENT, THE EXTENSION OF CREDITS OR CREDIT GUARANTEES TO, AND PROHIBIT COMMERCIAL AGREEMENTS WITH (A) ANY COMMUNIST COUNTRY NOT COOPERATING WITH THE UNITED STATES IN ITS ACCOUNTING FOR UNITED STATES PERSONNEL MISSING IN SOUTHEAST ASIA, AND (B) CZECHOSLOVAKIA, UNTIL IT HAS PAID IN FULL THE AMOUNTS AWARDED U.S. CITIZENS OR NATIONALS ON THEIR NATIONALIZATION CLAIMS.

16. GENERALIZED SYSTEM OF PREFERENCES: TITLE V OF THE BILL AUTHORIZES THE PRESIDENT TO REDUCE TO ZERO DUTIES ON ELIGIBLE ARTICLES FROM BENEFICIARY DEVELOPING COUNTRIES, SUBJECT TO SPECIFIC REQUIREMENTS AND SAFEGUARDS. THE HOUSE BILL HAD MADE INELIGIBLE FOR PREFERENCES A LIST OF DEVELOPED COUNTRIES AND THOSE DEVELOPING COUNTRIES WHICH GRANT AND DO NOT UNDERTAKE TO ELIMINATE REVERSE PREFERENCES. THE SENATE FINANCE COMMITTEE EXCLUDED FROM PREFERENTIAL TREATMENT COUNTRIES WHICH (1) ARE COMMUNIST; (2) ARE MEMBERS OF OPEC; (3) ARE MEMBERS OF OTHER INTERNATIONAL CARTEL-TYPE ARRANGEMENTS THE EFFECT OF WHICH IS TO WITHHOLD SUPPLIES OF VITAL MATERIALS OR TO CHARGE A MONOPOLISTIC PRICE WHICH CREATES SERIOUS DISEQUILIBRIUM TO THE WORLD ECONOMY; (4) COUNTRIES GRANTING REVERSE PREFERENCES WHICH HARM U.S. COMMERCE, UNLESS SUCH PREFERENCES OR THEIR ADVERSE EFFECTS ARE TO BE ELIMINATED; (5) COUNTRIES WHICH HAVE NATIONALIZED PROPERTY OF U.S. CITIZENS OR BUSINESSES IN VIOLATION OF INTERNATIONAL LAW; AND (6) COUNTRIES WHICH UNCLASSIFIED

PAGE 10 STATE 263873

DO NOT TAKE ADEQUATE STEPS TO PREVENT THE FLOW OF ILLEGAL DRUG TRAFFIC TO THE U.S.

17. THE COMMITTEE ALSO REQUIRED A FLAT 35 PERCENT MINIMUM OF VALUE-ADDED FROM THE DEVELOPING COUNTRY AS COMPARED WITH A DISCRETIONARY RANGE OF 35 TO 50 PERCENT IN THE HOUSE BILL. THE HOUSE BILL PROVIDES THAT A COUNTRY WILL NO LONGER RECEIVE PREFERENTIAL TREATMENT FOR AN ARTICLE IF U.S. IMPORTS OF THE ARTICLE FROM THAT COUNTRY DURING ANY ONE YEAR EQUAL AT LEAST TWENTY-FIVE MILLION DOLLARS OR 50 PERCENT OF TOTAL U.S. IMPORTS OF THE ARTICLE. THE FINANCE COMMITTEE ADDED AN AUTOMATIC FORMULA TO INDEX WHAT IS NOW THE TWENTY-FIVE MILLION DOLLAR LIMIT TO THE U.S. GNP TO TAKE INTO ACCOUNT BOTH INFLATION AND REAL GROWTH AND PROVIDED THAT THE 50 PERCENT CEILING WOULD NOT APPLY IF NO COMPETITIVE ARTICLE IS PRODUCED IN THE UNITED STATES.

18. INTERNATIONAL DRUG CONTROL: THE HOUSE BILL REQUIRES THE PRESIDENT TO EMBARGO TRADE AND INVESTMENT WITH ANY COUNTRY WHENEVER THE PRESIDENT DETERMINES THAT SUCH COUNTRY HAS FAILED TO TAKE ADEQUATE STEPS TO PREVENT NARCOTIC DRUGS PRODUCED IN OR TRANSPORTED THROUGH SUCH



COUNTRY FROM ENTERING THE U.S. UNLAWFULLY. THE FINANCE COMMITTEE CHANGED THIS SECTION TO REQUIRE THE PRESIDENT TO REPORT TO CONGRESS ANNUALLY, LISTING THOSE COUNTRIES IN WHICH ILLEGAL DRUGS ARE PRODUCED OR TRANSPORTED FOR ILLEGAL SHIPMENT TO THE UNITED STATES, AND INCLUDING A DESCRIPTION OF PREVENTATIVE STEPS WHICH SUCH COUNTRIES ARE TAKING. KISSINGER

UNCLASSIFIED

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